

Message Text

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ACTION EA-14

INFO OCT-01 NEA-10 ADP-00 EB-11 COME-00 INT-08 SCEM-02

AID-20 TRSE-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-15

RSR-01 OPIC-12 CIEP-02 OMB-01 /150 W

----- 126683

R 030405Z AUG 73

FM AMEMBASSY RANGOON

TO SECSTATE WASHDC 7052

INFO AMEMBASSY BANGKOK

AMEMBASSY DACCA

AMEMBASSY JAKARTA

AMEMBASSY NEW DELHI

AMEMBASSY SINGAPORE

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E.O. 11652: N/A (DECON 8/2/74)

TAGS: ENRG, BM

SUBJECT: BURMESEOFFSHORE OIL EXPLORATION

REF: RANGOON 1568

SUMMARY. MYANMA OIL CORPORATION IS CURRENTLY EVALUATING NEARLY 40 BIDS FOR OFFSHORE OIL PRODUCTION-SHARING CONTRACTS, AND APPEARS SATISFIED WITH RESPONSE IT HAS RECEIVED. TIMETABLE CALLS FOR DECISION BY MID-SEPTEMBER ON COMPANIES TO BE INVITED BACK FOR DETAILED NEGOTIATION LEADING TO CONTRACTS, BUT THIS MAY WELL BE DELAYED. MOC IS CONSIDERING LONG-TERM PLANS FOR ACCOMMODATING INFLOW OF EXPATRIATE EMPLOYEES OF OIL COMPANIES WITHOUT DISRUPTING LOCAL ECONOMY, BUT PLANNING APPEARS STILL IN PRELIMINARY STAGES. MEANWHILE, PROSPECTS FOR MOC'S SEVENTH OFFSHORE WELL APPEARS VERY ENCOURAGING, AND THERE ARE RUMORS THAT A STRIKE HAS BEEN MADE. END SUMMARY.

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QM IN CONVERSATION WITH EMBOFF AUGUST 2, MOC MANAGING DIRECTOR KR. AUNG KHIN CONFIRMED MOC HAS RECEIVED NEARLY 40 PROPOSALS FOR OFF-SHORE EXPLORATION. APPROXIMATELY 60 FIRMS WERE INTERVIEWED IN FIRST ROUND, AND YGME OF THESE JOINED IN SUBMITTING SINGLE BID (E.G., MITSUI, MITSUBISHI AND JAPAN PETROLEUM DEVELOPMENT; REPORT-EDLY JOINT BID WAS ALSO SUBMITTED BY DEMINEX, ENI, AND ELF/ERAP).

2. AUNG KHIN WAS GRATIFIED AT THIS RESPONSE, NOTING IT SURPASSED THAT TO INDIAN AND SOUTH VIETNAMESE INVITATIONS TO SUBMIT PROPOSALS. IN EARLIER CONVERSATION WITH AMBASSADOR, HE HAD REMARKED THAT BURMESE TACTIC OF INVITING COMPANIES TO FACE-TO-FACE DISCUSSIONS APPEARED PREFERABLE TO RELATIVELY IMPERSONAL METHOD OF MERELY PUBLISHING GENERAL INVITATION TO BID.

3. HE SAID MOC IS CURRENTLY BUSY EVALUATING BIDS AND PLANS SUBMIT EVALUATION RESULTS AND RECOMMENDATIONS TO GUB BY EARLY SEPTEMBER. HE NOTED, HOWEVER, THAT PRESS OF OTHER BUSINESS MAY DELAY GUB DECISION AND CAUSE SLIPPAGE IN TIMETABLE. COMMENT: EMBASSY CONSIDERS THIS VERY LIKELY, ESPECIALLY SINCE FROM NOW TO NEXT MARCH GUB WILL BE HEAVILY PREOCCUPIED WITH 1973-74 BUDGET, FINAL DRAFT OF NEW CONSTITUTION, REFERENDUM AND ELECTIONS, AND ORGANIZATION OF NEW GOVERNMENTAL STRUCTURE.

4. AUNG KHIN WAS NON-COMMITAL AS TO NUMBER OF COMPANIES LIKELY TO BE SELECTED FOR CONTRACT NEGOTIATIONS, BUT DID NOT DISSENT FROM EMBOFF'S SUGGESTION THIS MIGHT BE 10 TO 12. HE IMPLIED THAT HE DID NOT EXPECT THIS LIST TO BE SUBSTANTIALLY REDUCED IN LATER NEGOTIATIONS, THAT BARRING SOME SERIOUS HITCH IN DETAILED NEGOTIATIONS ALL FIRMS INCLUDED IN SECOND ROUND WOULD EVENTUALLY OBTAIN CONTRACTS. COMMENT: IN VIEW OF MOC'S INSISTENCE ON "MANAGEMENT CONTROL" (REFTEL PARA 10), THIS MANY OPERATORS WILL STRAIN ITS ABILITY TO PARTICIPATE ACTIVELY IN MANAGEMENT DECISIONS. WHILE TOP MOC MANAGEMENT IS ABLE AND EFFECTIVE, MOC IS HIGHLY CENTRALIZED AND MAY HAVE DIFFICULTY IN COPING WITH FLOOD OF INFORMATION, OPERATING PLANS, ETC. WHICH WILL BEGIN TO POUR IN ONCE FOREIGN COMPANIES BEGIN OPERATIONS.

5. EMBOFF SUGGESTED LATER DISCUSSIONS BETWEEN MOC AND EMBASSY CONCERNING COOPERATION TO MINIMIZE ADMINISTRATIVE AND LOGISTICAL PROBLEMS TO BE EXPECTED WHEN U.S. CONTRACTORS BEGIN OPERATIONS, ES-LIMITED OFFICIAL USE

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PECIALLY SINCE ARRIVAL OF EVEN 15 TO 20 AMERICAN FAMILIES WOULD MORE THAN DOUBLE SIZE OF NON-OFFICIAL U.S. COMMUNITY. AUNG KHIN AGREED, AND INDICATED MOC HOPES TO MAKE THINGS AS EASY AS POSSIBLE FOR COMPANIES WHILE MINIMIZING IMPACT ON LOCAL PRICE LEVELS. HE SAID MOC WOULD HELP WITH OFFICE SPACE BUT IN INITIAL STAGES WOULD PROBABLY HAVE TO LEAVE QUEST FOR HOUSING TO INDIVIDUAL COMPANIES.

6. SINCE OFFICE SPACE IN OR ADJACENT TO MOC BUILDING WILL PROBABLY NOT BE AVAILABLE, AUNG KHIN SAID HE IS LEANING TOWARD PROVIDING SPACE AT MOC MOC MAINTENANCE WORKSHOP/STORAGE AREA IN THAKETA (EASTERN SUBURB OF RANGOON), ABOUT A 15-MINUTE DRIVE FROM MOC OFFICE DOWNTOWN.

7. IN LONGER PROSPECTIVE, AUNG KHIN IS FULLY AWARE OF NEED FOR MORE EXTENSIVE FACILITIES FOR CONTRACTOR PERSONNEL ONCE PRODUCTION AND DEVELOPMENT BEGIN. HE HOPES TO PLACE THESE FACILITIES IN SYRIAM (ACROSS RIVER SOUTHEAST OF RANGOON) WHERE MOC REFINERY IS ALREADY CENTER OF SIZEABLE MOC COMMUNITY, CONSTRUCTING HOUSING, CLUB AND ENTERTAINMENT FACILITIES, COMMISSARY, ETC.

8. MEANWHILE, RELIABLE SOURCES WITH ACCESS TO MOC INDICATE THAT PROSPECTS FOR MOC'S SEVENTH OFFSHORE WELL, NOW IN PROGRESS, ARE EXTREMELY PROMISING. REPORTS CIRCULATE THAT A STRIKE OF SOME KIND HAS ACTUALLY BEEN MADE. MOC OFFICIALS ARE DENYING THESE REPORTS BUT ARE SILENT AS TO DETAILS OF SEVENTH WELL.

9. FOREGOING MAY BE SHARED IN CONFIDENCE WITH U.S. COMPANIES INTERESTED IN BURMESE PETROLEUM DEVELOPMENTS.
MARTIN

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